

MTUBATUBA



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# BUDGET OF **Mtubatuba Local Municipality**

## **2017/18 TO 2019/20 MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS**

**Copies of this document can be viewed:**

- In the main Municipal office situated at lot 105 Inkosi Mtubatutuba Road
- All public libraries within the municipality
- At [www.mtubatuba.org.za](http://www.mtubatuba.org.za)

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## Abbreviations and Acronyms

BPC	Budget Planning Committee
CBD	Central Business District
CFO	Chief Financial Officer
CM	City Manager
CRRF	Capital Replacement Reserve Fund
DBSA	Development Bank of South Africa
DoRa	Division of Revenue Act
EE	Employment Equity
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GFS	Government Financial Statistics
GRAP	General Recognised Accounting Practice
HR	Human Resources
IDP	Integrated Development Strategy
IT	Information Technology
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MPRA	Municipal Properties Rates Act
MSA	Municipal Systems Act
MTEF	Medium-term Expenditure Framework
MTREF	Medium-term Revenue and Expenditure Framework
NGO	Non-Governmental organisations
NKPIs	National Key Performance Indicators
OHS	Occupational Health and Safety
OP	Operational Plan
PBO	Public Benefit Organisation
PMS	Performance Management System
PPE	Property Plant and Equipment
PPP	Public Private Partnership
SALGA	South African Local Government Association
SAPS	South African Police Service
SDBIP	Service Delivery Budget Implementation Plan
SMME	Small Micro and Medium Enterprises
percent	Percentage

## **1.1. Mayors report**

The Mayors report will be attached as annexures.

## **1.2 Resolutions**

The Council of Mtubatuba Local Municipality met in the Council Chamber on the 28 March 2017 to consider the draft budget for the 2018/2020 financial year. The Council approved and adopted the following resolutions:

1. The Council of Mtubatuba local Municipality, acting in terms of section 24 of the Municipal finance Management Act, (Act 56 of 2003) approves and adopts:
  - 1.1. The Draft budget of the municipality for the financial year 2017/2018 and single year capital appropriations as set out in the following tables:
    - 1.1.1. Budgeted financial performance (revenue and expenditure by standard classifications) as contained in table 1.4.2 on page 8-9;
    - 1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote )as contained in table 1.4.3 on page 10;
    - 1.1.3. Budgeted Financial Performance ( revenue by source and expenditure by type) as contained in table 1.4.3 on page 11-12;
    - 1.1.4. Single year capital appropriations by municipal vote and standard classifications and associated funding by source as contained in table 1.4.5 on page 13-14;
  - 1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
    - 1.2.1. Budgeted Financial Position as contained in table 1.4.6 on page 15-16;
    - 1.2.2. Budgeted Cash Flows as contained in table 1.4.7 on page 17;
    - 1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in table 1.4.8 on page 18;
    - 1.2.4. Asset management as contained in table 1.4.9 on page 19-21; and
    - 1.2.5. Basic service delivery measurement as contained in table 1.4.10 on page 22-23.
2. The Council of Mtubatuba Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017:
  - 2.1. The tariffs for property rates,
  - 2.2. The tariffs for solid waste services.
3. The Council of Mtubatuba Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2017 the tariffs for other services.
4. That the salaries, wages and allowances of employees be increased in accordance with the multi-year SALGBC wage agreement with effect from 1 July 2017.
5. All budget related policies as listed on paragraph 2.18

### 1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipal financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities. The Municipal Business and Service Delivery priorities were reviewed as part of this year planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial management. A critical review was also undertaken of expenditures on noncore and nice to have" items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers namely a rebate of 50 percent to those with long outstanding debt when they arrange to pay their outstanding amount in three months, involving the attorneys for those that have means to pay but not paying. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The following budget principles and guidelines directly informed the compilation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF):

The 2016/17 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/18 draft budget.

The following table is a consolidated overview of the proposed 2017/18 Medium Term Revenue and Expenditure Framework

**MTUBATUBA LOCAL MUNICIPALITY- BUDGET FOR 2017/18**  
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## 1.4 Annual Budget Tables

### 1.4.1 KZN275 Mtubatuba - Table A1 Budget Summary

**KZN275 Mtubatuba - Table A1 Budget Summary**

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	-	-	-	-	35 842	37 634	39 516
Service charges	-	-	-	-	-	-	-	7 118	7 473	7 922
Investment revenue	-	-	-	-	-	-	-	3 000	3 150	3 308
Transfers recognised - operational	-	-	-	-	-	-	-	140 480	149 840	157 693
Other own revenue	-	-	-	-	-	-	-	13 444	14 111	14 812
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	-	-	-	-	-	-	199 883	212 209	223 250
Employee costs	-	-	-	-	-	-	-	64 787	68 998	73 828
Remuneration of councillors	-	-	-	-	-	-	-	12 923	13 543	14 288
Depreciation & asset impairment	-	-	-	-	-	-	-	21 600	22 680	23 814
Finance charges	-	-	-	-	-	-	-	200	210	221
Materials and bulk purchases	-	-	-	-	-	-	-	14 510	12 768	13 406
Transfers and grants	-	-	-	-	-	-	-	150	158	165
Other expenditure	-	-	-	-	-	-	-	73 925	76 129	79 540
<b>Total Expenditure</b>	-	-	-	-	-	-	-	188 095	194 485	205 263
<b>Surplus/(Deficit)</b>	-	-	-	-	-	-	-	11 788	17 723	17 987
Transfers and subsidies - capital (monetary allocated)	-	-	-	-	-	-	-	47 832	45 246	43 939
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	-	-	-	-	-	-	59 620	62 969	61 926
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	-	-	-	-	-	-	-	59 620	62 969	61 926
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	-	-	-	-	-	-	-	55 784	45 369	44 095
Transfers recognised - capital	-	-	-	-	-	-	-	47 832	45 246	43 939
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	7 952	123	156
<b>Total sources of capital funds</b>	-	-	-	-	-	-	-	55 784	45 369	44 095
<b>Financial position</b>										
Total current assets	-	-	-	-	-	-	-	67 145	96 298	120 592
Total non current assets	-	-	-	-	-	-	-	392 481	428 126	472 110
Total current liabilities	-	-	-	-	-	-	-	7 077	7 203	7 836
Total non current liabilities	-	-	-	-	-	-	-	25 914	26 371	26 080
Community wealth/Equity	-	-	-	-	-	-	-	426 635	490 850	558 785
<b>Cash flows</b>										
Net cash from (used) operating	-	-	-	-	-	-	-	76 706	81 860	82 780
Net cash from (used) investing	-	-	-	-	-	-	-	(52 995)	(55 645)	(58 984)
Net cash from (used) financing	-	-	-	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	-	-	-	-	-	-	-	28 211	54 427	78 223
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	-	-	-	-	-	-	-	28 211	54 427	78 223
Application of cash and investments	-	-	-	-	-	-	-	(17 331)	(19 015)	(18 938)
<b>Balance - surplus (shortfall)</b>	-	-	-	-	-	-	-	45 542	73 442	97 161
<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	-	-	-	392 317	392 317	427 962	471 945
Depreciation	-	-	-	-	-	-	21 600	21 600	22 680	23 814
Renewal of Existing Assets	-	-	-	-	-	-	-	23 934	25 131	26 388
Repairs and Maintenance	-	-	-	-	-	-	14 510	14 510	12 768	13 406
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	4 195	4 195	4 405	4 625
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sew erage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

## **Explanatory notes to MBRR Table A1 - Budget Summary**

1. Table A1 is a budget summary and provides a concise overview of the Municipal budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. This table provides an overview of the amounts approved by council for operating performance, resources deployed to Capital Expenditure, Financial Position, Cash and Funding Compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
  - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
  - b. Capital expenditure is balanced by capital funding sources, of which
    - i. Transfers recognised is reflected on the Financial Performance Budget;
    - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
  - iii. Internally generated funds is financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Even though the Municipality is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services delivery to the poor. The section of Free Services shows that the amount spent on Free Basic Services continue to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2020/25 the waste collection backlog will have been very nearly eliminated.

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## 1.4.2 KZN275 Mtubatuba - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

KZN275 Mtubatuba - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		-	-	-	-	-	-	119 844	130 855	136 904
Executive and council		-	-	-	-	-	-	33 000	35 000	37 000
Finance and administration		-	-	-	-	-	-	86 844	95 855	99 904
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	30 010	30 556	32 153
Community and social services		-	-	-	-	-	-	18 904	18 194	18 523
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	11 106	12 362	13 630
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	82 063	79 006	78 791
Planning and development		-	-	-	-	-	-	9 060	8 063	8 066
Road transport		-	-	-	-	-	-	73 003	70 943	70 725
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	15 798	17 038	19 340
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	15 798	17 038	19 340
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Revenue - Functional</b>	2	-	-	-	-	-	-	247 715	257 454	267 189
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		-	-	-	-	-	-	103 645	107 666	113 636
Executive and council		-	-	-	-	-	-	38 309	40 311	42 554
Finance and administration		-	-	-	-	-	-	65 337	67 355	71 082
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	-	-	-	37 664	38 995	41 427
Community and social services		-	-	-	-	-	-	24 283	24 763	26 225
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	13 381	14 232	15 202
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	-	-	-	29 306	30 936	32 716
Planning and development		-	-	-	-	-	-	10 773	11 387	12 065
Road transport		-	-	-	-	-	-	18 533	19 548	20 651
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	17 479	16 889	17 484
Energy sources		-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	17 479	16 889	17 484
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
<b>Total Expenditure - Functional</b>	3	-	-	-	-	-	-	188 095	194 485	205 263
<b>Surplus/(Deficit) for the year</b>		-	-	-	-	-	-	59 620	62 969	61 926

## Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

- Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile „whole of government“ reports.



2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the operational services (e.g. property rates) should exceed their expenditures, but not the essential services such as waste management function, public safety etc.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

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### 1.4.3 KZN275 Mtubatuba - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

**KZN275 Mtubatuba - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>Revenue by Vote</b>	1									
Vote 1 - Executive and council		-	-	-	-	-	-	33 000	35 000	37 000
Vote 2 - Budget and Treasury		-	-	-	-	-	-	73 844	85 855	89 904
Vote 3 - Corporate Services		-	-	-	-	-	-	13 000	10 000	10 000
Vote 4 - Community Services		-	-	-	-	-	-	14 618	14 743	14 900
Vote 5 - Libraries and archives		-	-	-	-	-	-	4 286	3 450	3 623
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	9 060	8 063	8 066
Vote 7 - Roads		-	-	-	-	-	-	73 003	70 943	70 725
Vote 8 - Licences and permits		-	-	-	-	-	-	11 106	12 362	13 630
Vote 9 - Solid Waste		-	-	-	-	-	-	15 798	17 038	19 340
Vote 10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	-	-	-	-	-	<b>247 715</b>	<b>257 454</b>	<b>267 189</b>
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - Executive and council		-	-	-	-	-	-	38 309	40 311	42 554
Vote 2 - Budget and Treasury		-	-	-	-	-	-	48 948	51 521	54 275
Vote 3 - Corporate Services		-	-	-	-	-	-	16 388	15 834	16 808
Vote 4 - Community Services		-	-	-	-	-	-	20 057	20 324	21 487
Vote 5 - Libraries and archives		-	-	-	-	-	-	4 226	4 439	4 737
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	10 773	11 387	12 065
Vote 7 - Roads		-	-	-	-	-	-	18 533	19 548	20 651
Vote 8 - Licences and permits		-	-	-	-	-	-	13 381	14 232	15 202
Vote 9 - Solid Waste		-	-	-	-	-	-	17 479	16 889	17 484
Vote 10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	-	-	-	-	-	<b>188 095</b>	<b>194 485</b>	<b>205 263</b>
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	-	-	-	<b>59 620</b>	<b>62 969</b>	<b>61 926</b>

### Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

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### 1.4.4 KZN275 Mtubatuba - Table A4 Budgeted Financial Performance (revenue and expenditure)

**KZN275 Mtubatuba - Table A4 Budgeted Financial Performance (revenue and expenditure)**

KEN273 mltubabura - Table A4 Budgeted Financial Performance (Revenue and expenditure)											
Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue By Source</b>											
Property rates	2	-	-	-	-	-	-	-	35 842	37 634	39 516
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	-	-	-	-	-	-	-	4 798	5 038	5 340
Service charges - other									2 319	2 435	2 581
Rental of facilities and equipment									198	208	219
Interest earned - external investments									3 000	3 150	3 308
Interest earned - outstanding debtors									7 907	8 303	8 718
Dividends received									-	-	-
Fines, penalties and forfeits									2 710	2 845	2 987
Licences and permits									2 405	2 525	2 651
Agency services									-	-	-
Transfers and subsidies									140 480	149 840	157 693
Other revenue	2	-	-	-	-	-	-	-	204	209	215
Gains on disposal of PPE									20	21	22
<b>Total Revenue (excluding capital transfers and contributions)</b>		-	-	-	-	-	-	-	<b>199 883</b>	<b>212 209</b>	<b>223 250</b>
<b>Expenditure By Type</b>											
Employee related costs	2	-	-	-	-	-	-	-	64 787	68 998	73 828
Remuneration of councillors									12 923	13 543	14 288
Debt impairment	3								11 224	11 786	12 375
Depreciation & asset impairment	2	-	-	-	-	-	-	-	21 600	22 680	23 814
Finance charges									200	210	221
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8								14 510	12 768	13 406
Contracted services		-	-	-	-	-	-	-	20 610	21 641	22 723
Transfers and subsidies		-	-	-	-	-	-	-	150	158	165
Other expenditure	4, 5	-	-	-	-	-	-	-	42 091	42 702	44 443
Loss on disposal of PPE									-	-	-
<b>Total Expenditure</b>		-	-	-	-	-	-	-	<b>188 095</b>	<b>194 485</b>	<b>205 263</b>
<b>Surplus/(Deficit)</b>		-	-	-	-	-	-	-	<b>11 788</b>	<b>17 723</b>	<b>17 987</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)									47 832	45 246	43 939
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Transfers and subsidies - capital (in-kind - all)	6	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		-	-	-	-	-	-	-	<b>59 620</b>	<b>62 969</b>	<b>61 926</b>
Taxation									-	-	-
<b>Surplus/(Deficit) after taxation</b>		-	-	-	-	-	-	-	<b>59 620</b>	<b>62 969</b>	<b>61 926</b>
Attributable to minorities											
<b>Surplus/(Deficit) attributable to municipality</b>		-	-	-	-	-	-	-	<b>59 620</b>	<b>62 969</b>	<b>61 926</b>
Share of surplus/ (deficit) of associate	7										
<b>Surplus/(Deficit) for the year</b>		-	-	-	-	-	-	-	<b>59 620</b>	<b>62 969</b>	<b>61 926</b>

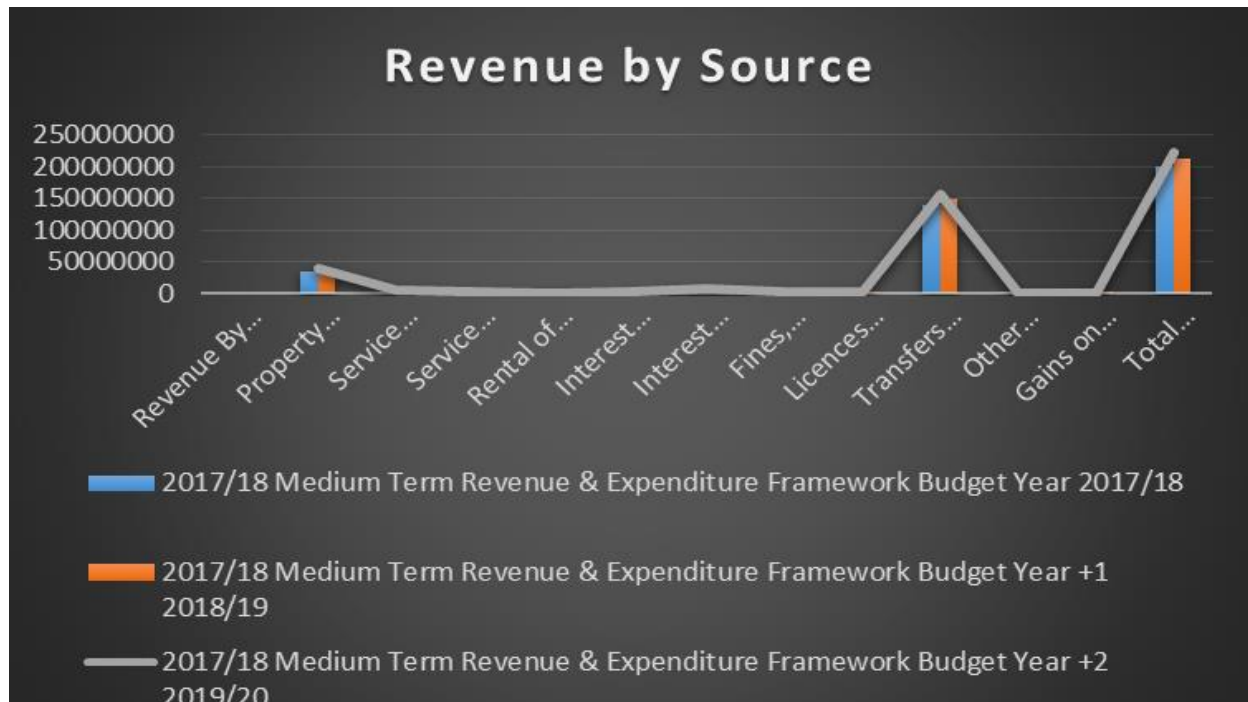
### Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total operating revenue budget for 2017/18 to 2019/20 has increased from R199.9 million to R223.3 million which represent a 10 percent increase over the MTREF.
2. Revenue generated from property rates amounted to R35.8 million in the 2017/18 financial year which represents 18 percent of the total operating revenue

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basket therefore remains a significant funding source for the municipality and increases to R37.6 million and R39,.5 Million for outer years respectively.

3. Operating grants and transfers including Local Government Equitable Share totals R140.5 million in the 2017/18 financial year and steadily increases to R149.8 million and R 157.7 million for outer years respectively.



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## 1.4.5 KZN275 Mtubatuba - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

KZN275 Mtubatuba - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Capital expenditure - Vote</b>											
<b>Multi-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Libraries and archives		-	-	-	-	-	-	-	-	-	-
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	-	-	-	-
Vote 7 - Roads		-	-	-	-	-	-	-	-	-	-
Vote 8 - Licences and permits		-	-	-	-	-	-	-	-	-	-
Vote 9 - Solid Waste		-	-	-	-	-	-	-	-	-	-
Vote 10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	<b>7</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	300	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	400	420	441
Vote 4 - Community Services		-	-	-	-	-	-	-	400	420	441
Vote 5 - Libraries and archives		-	-	-	-	-	-	-	300	-	-
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	-	210	221	232
Vote 7 - Roads		-	-	-	-	-	-	-	53,274	43,108	41,481
Vote 8 - Licences and permits		-	-	-	-	-	-	-	100	-	-
Vote 9 - Solid Waste		-	-	-	-	-	-	-	800	1,200	1,500
Vote 10 - [Name of sub-vote]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	55,784	45,369	44,095
<b>Total Capital Expenditure - Vote</b>		-	-	-	-	-	-	-	55,784	45,369	44,095
<b>Capital Expenditure - Functional</b>											
<b>Governance and administration</b>		-	-	-	-	-	-	-	700	420	441
Executive and council		-	-	-	-	-	-	-	-	-	-
Finance and administration		-	-	-	-	-	-	-	700	420	441
Internal audit		-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		-	-	-	-	-	-	-	800	420	441
Community and social services		-	-	-	-	-	-	-	700	420	441
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	100	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		-	-	-	-	-	-	-	53,484	43,329	41,713
Planning and development		-	-	-	-	-	-	-	210	221	232
Road transport		-	-	-	-	-	-	-	53,274	43,108	41,481
Environmental protection		-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		-	-	-	-	-	-	-	800	1,200	1,500
Energy sources		-	-	-	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	800	1,200	1,500
<b>Other</b>		-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	<b>3</b>	-	-	-	-	-	-	-	55,784	45,369	44,095
<b>Funded by:</b>											
National Government		-	-	-	-	-	-	-	44,640	45,246	43,939
Provincial Government		-	-	-	-	-	-	-	3,192	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	<b>4</b>	-	-	-	-	-	-	-	47,832	45,246	43,939
<b>Public contributions &amp; donations</b>	<b>5</b>	-	-	-	-	-	-	-	-	-	-
<b>Borrowing</b>	<b>6</b>	-	-	-	-	-	-	-	-	-	-
<b>Internally generated funds</b>		-	-	-	-	-	-	-	7,952	123	156
<b>Total Capital Funding</b>	<b>7</b>	-	-	-	-	-	-	-	55,784	45,369	44,095

**Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source.**

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
3. Single-year capital expenditure has been appropriated at R55.8 million for the 2017/18 financial year and decrease to R45.4 million and R44.1 million for the outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the Municipality.
5. The capital programme is funded from Capital Grants and Transfers, and Internally generated funds from current year surpluses. For 2017/18, Capital Transfers amounts to R47.8 million and escalates to R45.3 million by 2017/18 and R43.9 million for 2019/20 in the MTREF. Internal generated funds to cover a shortfall in capital budget will be R7.9 million. The internal generated funds will arise from surpluses in the statement of financial performance and cash backed reserves.

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### 1.4.6 KZN275 Mtubatuba - Table A6 Budgeted Financial Position

KZN275 Mtubatuba - Table A6 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>											
<b>ASSETS</b>											
<b>Current assets</b>											
Cash								-	3,211	14,427	18,223
Call investment deposits	1	-	-	-	-	-	-	-	25,000	40,000	60,000
Consumer debtors	1	-	-	-	-	-	-	-	35,459	38,222	38,537
Other debtors									1,142	1,199	1,259
Current portion of long-term receivables									2,333	2,450	2,572
Inventory	2								-	-	-
<b>Total current assets</b>		-	-	-	-	-	-	-	67,145	96,298	120,592
<b>Non current assets</b>											
Long-term receivables											
Investments											
Investment property									41,936	41,936	41,936
Investment in Associate											
Property, plant and equipment	3	-	-	-	-	-	-	-	350,272	385,917	429,901
Agricultural											
Biological											
Intangible									109	109	109
Other non-current assets									165	165	165
<b>Total non current assets</b>		-	-	-	-	-	-	-	392,481	428,126	472,110
<b>TOTAL ASSETS</b>		-	-	-	-	-	-	-	459,627	524,424	592,701
<b>LIABILITIES</b>											
<b>Current liabilities</b>											
Bank overdraft	1							-	-	-	-
Borrowing	4	-	-	-	-	-	-	-	49	49	49
Consumer deposits									-	-	-
Trade and other payables	4	-	-	-	-	-	-	-	4,500	4,500	5,000
Provisions									2,528	2,654	2,787
<b>Total current liabilities</b>		-	-	-	-	-	-	-	7,077	7,203	7,836
<b>Non current liabilities</b>											
Borrowing		-	-	-	-	-	-	-	-	-	-
Provisions		-	-	-	-	-	-	-	25,914	26,371	26,080
<b>Total non current liabilities</b>		-	-	-	-	-	-	-	25,914	26,371	26,080
<b>TOTAL LIABILITIES</b>		-	-	-	-	-	-	-	32,991	33,574	33,916
<b>NET ASSETS</b>	5	-	-	-	-	-	-	-	426,635	490,850	558,785
<b>COMMUNITY WEALTH/EQUITY</b>											
Accumulated Surplus/(Deficit)									426,635	490,850	558,785
Reserves	4	-	-	-	-	-	-	-	-	-	-
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	5	-	-	-	-	-	-	-	426,635	490,850	558,785

#### Explanatory notes to Table A6 - Budgeted Financial Position

1. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.
2. Supporting table SA3 providing a detailed analysis of the major components of a number of items, including: call on investment deposits, Consumer debtors, Property, Plant and Equipment, Trade and Other Payables, Provision for Non-Current and Current Liabilities, Change in net assets and Reserves.

3. The Municipal equivalent of Equity is Community Wealth. The justification is that ownership and the Net Assets of the Municipality belong to the community.
4. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position. The municipality has no intention to borrow in the 2017/18 financial year.



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### 1.4.7 KZN275 Mtubatuba - Table A7 Budgeted Cash Flows

**KZN275 Mtubatuba - Table A7 Budgeted Cash Flows**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates									25,089	26,344	27,924
Service charges									4,982	5,231	5,545
Other revenue									3,559	3,737	3,961
Government - operating	1								140,480	149,840	157,693
Government - capital	1								47,832	45,246	43,939
Interest									3,491	3,665	3,885
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees									(148,442)	(151,904)	(159,852)
Finance charges									(150)	(158)	(165)
Transfers and Grants	1								(135)	(142)	(150)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	-	-	-	-	<b>76,706</b>	<b>81,860</b>	<b>82,780</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets									(52,995)	(55,645)	(58,984)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	-	-	-	-	<b>(52,995)</b>	<b>(55,645)</b>	<b>(58,984)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing									-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	-	-	-	-	<b>23,711</b>	<b>26,215</b>	<b>23,797</b>
Cash/cash equivalents at the year begin:	2								<b>4,500</b>	<b>28,211</b>	<b>54,427</b>
Cash/cash equivalents at the year end:	2								<b>28,211</b>	<b>54,427</b>	<b>78,223</b>

### Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.
3. The draft 2017/18 MTREF provide for net increase in cash of R23.7 million. For the outer years is R26.2 Million and R23.9 million respectively.
4. The 2017/18 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.
5. Cash and cash equivalents totals R28.2 million as at the end of the 2017/18 financial year and escalates to R54.4 million by 2018/19 and R78, 2 million on the 2019/20

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### 1.4.8 KZN275 Mtubatuba - Table A8 Cash backed reserves/accumulated surplus reconciliation

KZN275 Mtubatuba - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>											
<b>Cash and investments available</b>											
Cash/cash equivalents at the year end	1	-	-	-	-	-	-	-	28,211	54,427	78,223
Other current investments > 90 days		-	-	-	-	-	-	-	-	-	-
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
<b>Cash and investments available:</b>		-	-	-	-	-	-	-	28,211	54,427	78,223
<b>Application of cash and investments</b>											
Unspent conditional transfers		-	-	-	-	-	-	-	1,000	1,500	2,000
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	-	-	-	-	-	-	-	(18,331)	(20,515)	(20,938)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
<b>Total Application of cash and investments:</b>		-	-	-	-	-	-	-	(17,331)	(19,015)	(18,938)
<b>Surplus(shortfall)</b>		-	-	-	-	-	-	-	45,542	73,442	97,161

### Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.
5. From the table it can be seen that for the period 2017/18 the municipality has R45.5 million as surplus and escalate to R73.4 million to R97.2 million.
6. Considering the requirements of section 18 of the MFMA, it can be concluded that the adopted 2017/18 draft MTREF was properly funded.
7. As part of the budgeting and planning guidelines that informed the compilation of the 2017/18 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

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## 1.4.9 KZN275 Mtubatuba - Table A9 Asset Management

KZN275 Mtubatuba - Table A9 Asset Management

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>										
<b>CAPITAL EXPENDITURE</b>										
<b><u>Total New Assets</u></b>	1	-	-	-	-	-	-	31 850	19 198	16 748
Roads Infrastructure		-	-	-	-	-	-	-	-	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	14 000	13 000	10 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	800	1 200	1 500
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	14 800	14 200	11 500
Community Facilities		-	-	-	-	-	-	10 300	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	990	-	-
<b>Community Assets</b>		-	-	-	-	-	-	11 290	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	860	903	948
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	3 900	3 675	3 859
Transport Assets		-	-	-	-	-	-	1 000	420	441
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b><u>Total Renewal of Existing Assets</u></b>	2	-	-	-	-	-	-	23 934	25 131	26 388
Roads Infrastructure		-	-	-	-	-	-	3 000	3 150	3 308
<b>Infrastructure</b>		-	-	-	-	-	-	3 000	3 150	3 308
Community Facilities		-	-	-	-	-	-	17 434	18 306	19 221
Sport and Recreation Facilities		-	-	-	-	-	-	3 500	3 675	3 859
<b>Community Assets</b>		-	-	-	-	-	-	20 934	21 981	23 080
<b><u>Total Capital Expenditure</u></b>	4	-	-	-	-	-	-	-	-	-
Roads Infrastructure		-	-	-	-	-	-	3 000	3 150	3 308
Storm water Infrastructure		-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	14 000	13 000	10 000
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	800	1 200	1 500
Rail Infrastructure		-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	17 800	17 350	14 808
Community Facilities		-	-	-	-	-	-	27 734	18 306	19 221
Sport and Recreation Facilities		-	-	-	-	-	-	4 490	3 675	3 859
<b>Community Assets</b>		-	-	-	-	-	-	32 224	21 981	23 080
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	860	903	948
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	3 900	3 675	3 859
Transport Assets		-	-	-	-	-	-	1 000	420	441
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL CAPITAL EXPENDITURE - Asset class</b>		-	-	-	-	-	-	55 784	44 329	43 136

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<b>ASSET REGISTER SUMMARY - PPE (WDV)</b>	5									
<i>Roads Infrastructure</i>								265 646	292 817	326 548
<i>Storm water Infrastructure</i>								-	-	-
<i>Electrical Infrastructure</i>								24 998	27 498	30 523
<i>Water Supply Infrastructure</i>								-	-	-
<i>Sanitation Infrastructure</i>								-	-	-
<i>Solid Waste Infrastructure</i>								-	-	-
<i>Rail Infrastructure</i>								-	-	-
<i>Coastal Infrastructure</i>								-	-	-
<i>Information and Communication Infrastructure</i>								-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	<b>290 644</b>	<b>320 316</b>	<b>357 071</b>
Community Facilities								48 425	53 268	59 127
Sport and Recreation Facilities								-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	<b>48 425</b>	<b>53 268</b>	<b>59 127</b>
<b>Heritage Assets</b>								-	-	-
Revenue Generating								-	-	-
Non-revenue Generating								-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings								-	-	-
Housing								41 936	41 936	41 936
<b>Other Assets</b>		-	-	-	-	-	-	<b>41 936</b>	<b>41 936</b>	<b>41 936</b>
<b>Biological or Cultivated Assets</b>								-	-	-
Servitudes								-	-	-
Licences and Rights								-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment								2 331	2 564	2 846
Furniture and Office Equipment								1 041	1 145	1 271
Machinery and Equipment								792	871	967
Transport Assets								7 148	7 863	8 728
Libraries								-	-	-
Zoo's, Marine and Non-biological Animals								-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	5	-	-	-	-	-	-	<b>392 317</b>	<b>427 962</b>	<b>471 945</b>
<b>EXPENDITURE OTHER ITEMS</b>										
<b>Depreciation</b>	7	-	-	-	-	-	-	21 600	22 680	23 814
<b>Repairs and Maintenance by Asset Class</b>	3	-	-	-	-	-	-	14 510	12 768	13 406
<i>Roads Infrastructure</i>		-	-	-	-	-	-	7 500	6 300	6 615
<i>Storm water Infrastructure</i>		-	-	-	-	-	-	1 500	1 575	1 654
<i>Electrical Infrastructure</i>		-	-	-	-	-	-	1 500	1 575	1 654
<i>Solid Waste Infrastructure</i>		-	-	-	-	-	-	1 500	1 575	1 654
<i>Rail Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Coastal Infrastructure</i>		-	-	-	-	-	-	-	-	-
<i>Information and Communication Infrastructure</i>		-	-	-	-	-	-	-	-	-
<b>Infrastructure</b>		-	-	-	-	-	-	<b>12 000</b>	<b>11 025</b>	<b>11 576</b>
Community Facilities		-	-	-	-	-	-	850	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-
<b>Community Assets</b>		-	-	-	-	-	-	<b>850</b>	-	-
<b>Heritage Assets</b>		-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-
<b>Investment properties</b>		-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	1 000	1 050	1 103
Housing		-	-	-	-	-	-	-	-	-
<b>Other Assets</b>		-	-	-	-	-	-	<b>1 000</b>	<b>1 050</b>	<b>1 103</b>
<b>Biological or Cultivated Assets</b>		-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-
<b>Intangible Assets</b>		-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	10	11	11
Furniture and Office Equipment		-	-	-	-	-	-	200	210	221
Machinery and Equipment		-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	450	473	496
Libraries		-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS</b>		-	-	-	-	-	-	<b>36 110</b>	<b>35 448</b>	<b>37 220</b>

**Explanatory notes to Table A9 - Asset Management**

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of assets, as well as spending on repairs and maintenance by asset class.
2. It also present the assets register summary.
3. The Assets register must reconcile to Budgeted Financial Position written down value.
4. The budgeted asset was prepared on the basis that assets will increase over the medium term due to capital expenditure that will be capitalized less accumulated depreciation for assets.

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### 1.4.10 KZN275 Mtubatuba - Table A10 Basic service delivery measurement

KZN275 Mtubatuba - Table A10 Basic service delivery measurement

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Household service targets</b>	1									
<b>Water:</b>										
Piped water inside dwelling		-	-	-	-	-	-	-	-	-
Piped water inside yard (but not in dwelling)		-	-	-	-	-	-	-	-	-
Using public tap (at least min.service level)	2	-	-	-	-	-	-	-	-	-
Other water supply (at least min.service level)	4	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Using public tap (< min.service level)	3	-	-	-	-	-	-	-	-	-
Other water supply (< min.service level)	4	-	-	-	-	-	-	-	-	-
No water supply		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Sanitation/sewerage:</b>										
Flush toilet (connected to sewerage)		-	-	-	-	-	-	-	-	-
Flush toilet (with septic tank)		-	-	-	-	-	-	-	-	-
Chemical toilet		-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)		-	-	-	-	-	-	-	-	-
Other toilet provisions (> min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Bucket toilet		-	-	-	-	-	-	-	-	-
Other toilet provisions (< min.service level)		-	-	-	-	-	-	-	-	-
No toilet provisions		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Energy:</b>										
Electricity (at least min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (min.service level)		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Electricity (< min.service level)		-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)		-	-	-	-	-	-	-	-	-
Other energy sources		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Refuse:</b>										
Removed at least once a week		-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-	-
Removed less frequently than once a week		-	-	-	-	-	-	-	-	-
Using communal refuse dump		-	-	-	-	-	-	-	-	-
Using own refuse dump		-	-	-	-	-	-	-	-	-
Other rubbish disposal		-	-	-	-	-	-	-	-	-
No rubbish disposal		-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>		-	-	-	-	-	-	-	-	-
<b>Total number of households</b>	5	-	-	-	-	-	-	-	-	-
<b>Households receiving Free Basic Service</b>	7									
Water (6 kilolitres per household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free minimum level service)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed at least once a week)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Formal Settlements (R'000)</b>	8									
Water (6 kilolitres per indigent household per month)		-	-	-	-	-	-	-	-	-
Sanitation (free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (50kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (removed once a week for indigent households)		-	-	-	-	-	-	-	-	-
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>		-	-	-	-	-	-	-	-	-
<b>Total cost of FBS provided</b>		-	-	-	-	-	-	-	-	-
<b>Highest level of free service provided per household</b>										
Property rates (R value threshold)										
Water (kilolitres per household per month)										
Sanitation (kilolitres per household per month)										
Sanitation (Rand per household per month)										
Electricity (kwh per household per month)										
Refuse (average litres per week)										
<b>Revenue cost of subsidised services provided (R'000)</b>	9									
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA										
Water (in excess of 6 kilolitres per indigent household per month)		-	-	-	-	-	-	4,195	4,405	4,625
Sanitation (in excess of free sanitation service to indigent households)		-	-	-	-	-	-	-	-	-
Electricity/other energy (in excess of 50 kwh per indigent household per month)		-	-	-	-	-	-	-	-	-
Refuse (in excess of one removal a week for indigent households)		-	-	-	-	-	-	-	-	-
Municipal Housing - rental rebates										
Housing - top structure subsidies										
Other										
<b>Total revenue cost of subsidised services provided</b>	6	-	-	-	-	-	-	4,195	4,405	4,625

**Explanatory notes to Table A10 - Basic Service Delivery Measurement**

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. It is estimated that there are 6304 households in Mtubatuba Municipal Jurisdiction.
3. The first R60 000 is rateable only to residential properties for all households.
4. It is anticipated that Free Basic Services will cost the municipality R150 thousand in 2017/18, increase to R157 thousand in 2018/19 and 165 thousand in 2019/20. This is covered by the municipality's equitable share allocation from national government.
5. Free basis service relate to subsidy to electricity charge for households.
6. The Municipality encourage unemployed resident to register as indigent in order to benefit from other services.
7. Information for other services that the Municipality is not providing was taken from the district.

## **PART2- SUPPORTING DOCUMENTATION**

### **2.1 . Overview of Annual Budget Process**

- a) The Accounting Officer with the assistance of the Chief Financial Officer and the manager responsible for IDP shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.
- b) The Mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).
- c) The IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.
- d) The Mayor shall convene a strategic workshop in September/October with the other councillors and senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality.
- e) The Chief Financial Officer and senior managers undertake the technical preparation of the budget.
- f) The Mayor shall table the draft IDP and draft MTREF budget to council at least 90 days before the start of the new budget year, together with the draft resolutions on approval of the budget and municipal tariffs and taxes, budget related policies (policies on tariff setting, property rates, credit control, debt collection, indigents, investment and cash management, borrowings, etc.) and any document as may be prescribed.
- g) The budget must be in the prescribed format and must be divided into capital and operating budgets. The prescribed format of the budget must capture the projected revenue and expenditure for the two financial years following the budget year, the estimated revenue and expenditure for the current year and the actual (audited) revenue and expenditure for the preceding financial years as per prescription by National Treasury.
- h) The budget must reflect the realistically expected revenues by major source and appropriate expenditure under the different votes for the budget year concerned.



## **2.2. Overview of budget assumption.**

The budget is prepared on the going concern basis which assume that this municipality will continue to provide services for the foreseeable future. Historical information and result play an important role in drafting the budget.

## **2.3 Overview of Budget Funding**

1.2.1. In accordance with the provisions of Section 18(1) of the MFMA, an annual budget may be funded only from:

- a. Realistically anticipated revenues to be collected;
- b. Cash-backed accumulated funds from previous years' surpluses not committed for other purposes;
- c. Borrowed funds, but only for capital projects.

1.2.2 Realistically anticipated revenues to be received from national or provincial government, national or public entities, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds, as provided by Regulation 10 (2) of the Municipal Budget and Reporting Regulations

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## 2.4. Expenditure on allocation and grant programmes

KZN275 Mtubatuba - Supporting Table SA19 Expenditure on transfers and grant programme

Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>EXPENDITURE:</b>	1									
<b>Operating expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	137,202	146,398	154,079
Local Government Equitable Share								132,131	142,546	150,138
Finance Management								1,900	2,155	2,155
EPWP Incentive								1,558	-	-
								-	-	-
Municipal Infrastructure Grant								1,613	1,697	1,786
<b>Provincial Government:</b>		-	-	-	-	-	-	3,278	3,442	3,614
Community Library Service								376	395	415
Provincialisation Of Libraries								2,902	3,047	3,199
<b>#REF!</b>										
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total operating expenditure of Transfers and Grants</b>		-	-	-	-	-	-	140,480	149,840	157,693
<b>Capital expenditure of Transfers and Grants</b>										
<b>National Government:</b>		-	-	-	-	-	-	44,640	45,246	43,939
Municipal Infrastructure Grant (MIG)								30,640	32,246	33,939
National Electrification Programme								14,000	13,000	10,000
<b>Other capital transfers/grants [insert desc]</b>										
<b>Provincial Government:</b>		-	-	-	-	-	-	3,192	-	-
DSR - Sports Facilities (Infrastructure)								3,192	-	-
<b>District Municipality:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Other grant providers:</b>		-	-	-	-	-	-	-	-	-
[insert description]										
<b>Total capital expenditure of Transfers and Grants</b>		-	-	-	-	-	-	47,832	45,246	43,939
<b>TOTAL EXPENDITURE OF TRANSFERS AND GRANTS</b>		-	-	-	-	-	-	188,312	195,086	201,632

The above table depict budget expenditure on grant programme.

## 2.5. Allocations and grants made by the Municipality

The municipality only made grant of free basic electricity to group of individuals registered as indigent. That indigent register with beneficiaries is submitted by ESKOM to the municipality.

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## 2.6. Councillors and board members allowances and employees benefits

KZN275 Mtubatuba - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
		A	B	C	D	E	F	G	H	I
<b>Councillors (Political Office Bearers plus Other)</b>	1									
Basic Salaries and Wages								8 900	9 328	9 841
Pension and UIF Contributions								-	-	-
Medical Aid Contributions								-	-	-
Motor Vehicle Allowance								2 967	3 109	3 280
Cellphone Allowance								1 056	1 107	1 168
Housing Allowances								-	-	-
Other benefits and allowances								-	-	-
<b>Sub Total - Councillors</b>		-	-	-	-	-	-	12 923	13 543	14 288
<b>% increase</b>	4	-	-	-	-	-	-	-	4.8%	5.5%
<b>Senior Managers of the Municipality</b>	2									
Basic Salaries and Wages								7 964	8 482	9 076
Pension and UIF Contributions								179	190	204
Medical Aid Contributions								205	218	234
Overtime								-	-	-
Performance Bonus								218	232	248
Motor Vehicle Allowance	3							913	972	1 040
Cellphone Allowance	3							-	-	-
Housing Allowances	3							163	174	186
Other benefits and allowances	3							-	-	-
Payments in lieu of leave								-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
<b>Sub Total - Senior Managers of Municipality</b>		-	-	-	-	-	-	9 641	10 268	10 987
<b>% increase</b>	4	-	-	-	-	-	-	-	6.5%	7.0%
<b>Other Municipal Staff</b>										
Basic Salaries and Wages								37 752	40 205	43 020
Pension and UIF Contributions								6 598	7 027	7 519
Medical Aid Contributions								3 487	3 713	3 973
Overtime								1 001	1 066	1 140
Performance Bonus								-	-	-
Motor Vehicle Allowance	3							3 324	3 541	3 788
Cellphone Allowance	3							30	32	34
Housing Allowances	3							612	651	697
Other benefits and allowances	3							2 343	2 495	2 670
Payments in lieu of leave								-	-	-
Long service awards								-	-	-
Post-retirement benefit obligations	6							-	-	-
<b>Sub Total - Other Municipal Staff</b>		-	-	-	-	-	-	55 145	58 730	62 841
<b>% increase</b>	4	-	-	-	-	-	-	-	6.5%	7.0%
<b>Total Parent Municipality</b>		-	-	-	-	-	-	77 710	82 541	88 116
								-	6.2%	6.8%

The above table depict expenditure on allowances for councillors and employee related cost.

## 2.7 Monthly targets for revenue, Expenditure and Cash flows

The following table is a consolidated overview of the proposed 2017/18 Medium Term Revenue and Expenditure Framework

**Table2.7.1 Consolidated Overview of the 2017/18 MTREF**

KZN275 Mtubatuba - Table A4 Budgeted Financial Performance (revenue and expenditure)			
Description	2017/18 Medium Term Revenue & Expenditure Framework		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand			
<u>Revenue By Source</u>			
Total Revenue (excluding capital transfers and contributions)	199,883	212,209	223,250
Total Operating Expenditure	188,095	194,485	205,263
Surplus/(Deficit)	11,788	17,723	17,987
Total Capital Expenditure	47,832	45,246	43,939

Total Operating Revenue is R 199.9 million for the 2017/18 financial year. For the two outer years, operational revenue will increase by 6 percent or R12.3 million and 5 percent or R11.0 million respectively.

Total operating expenditure for the 2017/18 financial year have been appropriated at R188.1 million and result in a budgeted surplus of R11.8 million. Operational expenditure is R188.1 million in 2017/18 financial year and increased by 3 percent and 5% in outer years. The operating surplus for the outer years is R 17.7 and 17.9 million. A cash backed portion of this surplus will be used to fund capital expenditure over these years.

The capital expenditure funded by grants in 2017/18 financial year is 47.8 excluding internal funded projects for R7.9 million. Which makes total capital expenditure of R 55.8 million. Capital expenditure reflect a decrease of R 2.6 million and R 1.3 in the outer years. The other portion of the capital expenditure will be funded internally by the surplus reflected on the statement of financial performance. The municipality is not intending to borrow to fund capital project because it has available cash and reserves.

## 2.8. Operating Revenue Framework

Mtubatuba local Municipality will continue to improve the quality of services that its provided to its citizens, therefore it need to generate much needed revenue. A strong revenue management is fundamental to the financial sustainability of each municipality. The reality is that residents are faced with high unemployment and poverty within Mtubatuba jurisdiction hence the greater part of Mtubatuba is rural communal land. Given the above mention drawback, it is hard for the municipality to generate its own revenue without being grant dependent. The expenditure required to address these

challenges will inevitable exceed available funding (resource constraint) hence difficult choices have to be made to balance expenditure against realistic anticipated revenue.

The municipality revenue strategy is built around the key components:

- National Treasury guidelines and macroeconomics;
- Efficient revenue management which aim to ensure a 70 percent annual collection rate for property rates, on refuse revenue, Security services revenue and different rate on other key service charges;
- Prior collection rate for all services
- The Municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA) as amended;
- Free Basic Services on Electricity on designated households
- The municipality's indigent policy ; and
- Tariff policy of the municipality.
- Debt Management and Credit Control Policy

The following table is the summary of the 2017/2018 MTREF

**Table 2.8.1 summary of revenue classified by main revenue sources**

<b>KZN275 Mtubatuba - Table A4 Budgeted Financial Performance (revenue and expenditure)</b>			
<b>Description</b>	<b>2017/18 Medium Term Revenue &amp;</b>		
<b>R thousand</b>	<b>Budget Year 2017/18</b>	<b>Budget Year +1 2018/19</b>	<b>Budget Year +2 2019/20</b>
<b><u>Revenue By Source</u></b>			
Property rates	35 841 743	37 633 829	39 515 521
Service charges - refuse revenue	4 798 281	5 038 195	5 340 486
Service charges - other	2 319 336	2 435 303	2 581 422
Rental of facilities and equipment	198 273	208 187	218 596
Interest earned - external investments	3 000 000	3 150 000	3 307 500
Interest earned - outstanding debtors	7 907 377	8 302 746	8 717 883
Fines, penalties and forfeits	2 709 504	2 844 979	2 987 228
Licences and permits	2 404 932	2 525 179	2 651 438
Transfers and subsidies	140 479 650	149 840 050	157 693 245
Other revenue	203 940	209 137	214 594
Gains on disposal of PPE	20 000	21 000	22 050
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>199 883 036</b>	<b>212 208 605</b>	<b>223 249 963</b>

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**Table 2.8.2 Percentage growth in revenue by main revenue source**

KZN275 Mtubatuba - Table A4 Budgeted Financial Performance (revenue and expenditure)					
Description	2017/18 Medium Term Revenue & Expenditure Framework				
R thousand	Budget Year 2017/18	Incre- ase	Budget Year +1 2018/19	Incre- ase	Budget Year +2 2019/20
<b>Revenue By Source</b>					
Property rates	35 841 743	5	37 633 829	5	39 515 521
Service charges - refuse revenue	4 798 281	5	5 038 195	6	5 340 486
Service charges - other	2 319 336	5	2 435 303	6	2 581 422
Rental of facilities and equipment	198 273	5	208 187	5	218 596
Interest earned - external investments	3 000 000	5	3 150 000	5	3 307 500
Interest earned - outstanding debtors	7 907 377	5	8 302 746	5	8 717 883
Fines, penalties and forfeits	2 709 504	5	2 844 979	5	2 987 228
Licences and permits	2 404 932	5	2 525 179	5	2 651 438
Transfers and subsidies	140 479 650	6	149 840 050	5	157 693 245
Other revenue	203 940	2	209 137	3	214 594
Gains on disposal of PPE	20 000	5	21 000	5	22 050
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>199 883 036</b>		<b>212 208 605</b>		<b>223 249 963</b>

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as the inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

The main revenue source that Mtubatuba Municipality arise from Operating Grants. Operating grants constitute a 70 percent of the total revenue in 2017/18 financial year. Operating Grants comprises of Equitable Share, Municipal Finance Management Grant, Provincialization of Libraries, MTB Library-Cadet, Extended Public Works Program and Municipal Infrastructure Grant-Operational.

Revenue generated from Property Rates is the second highest revenue source for revenue basket of the Municipality. Although there is a slight increase over the MTREF; it is still the highest out of the total internal generated funds. This increase is due to new proposed tariff increase for 2017/18 financial. The municipality will strengthen its collection strategy which will result in reduction of debt and improve cash-flow. This systems include data cleansing and update of indigent register which will help us locate people which were previously not billed and the hiring of the Revenue Manager to play the his/her role over the revenue section.

Revenue from Refuse removal represent 3.4 percent of the total operating revenue. The increase in Refuse Revenue is as a result of a tariff increase.

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Services Charges-Other represent 1.2 percent of the total operating revenue. Services Charges Other arise from the security services that the municipality is providing in St Lucia residents. Even though the cost of providing this service exceeds the benefits but the municipality view it as an essential services as St Lucia is one of the leading tourist destination in the country.

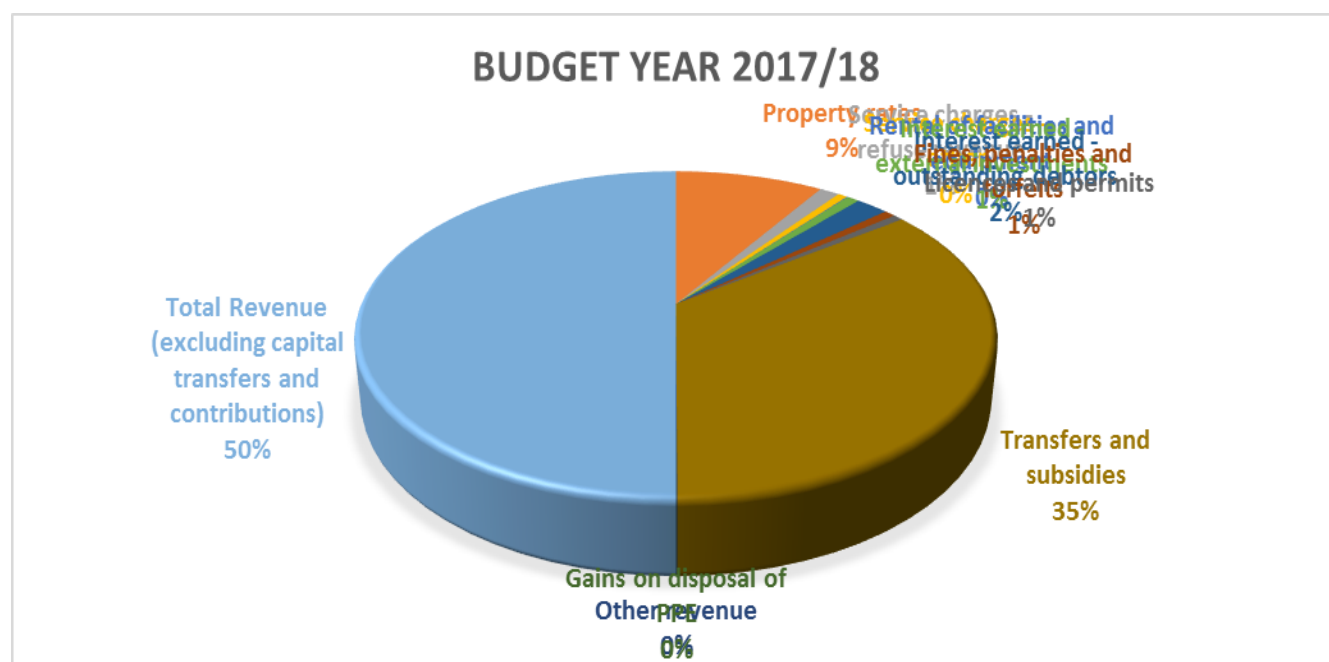
Rental of facilities and Equipment represent 0.09 percent of the total revenue. There has been an improvement in rentals of community facilities in the year under review. This is because of upgrade to municipal facilities which attract more customers. Although the contribution by this line item is insignificant but it does assist in services delivery.

Interest Earned-External Investment budget is 1.5 percent in the 2017/18 financial year. The projected investment is estimated at R30 million in the 2017/18 financial year. This is because of the continued positive cash flow over the years.

Interest Earned-Outstanding Debtors represent 4 percent of total revenue. This is a non cash item and arise from the increase in debtors account for more than a year.

Fines, Licence and Permits represent 2.6 percent of total revenue in 2017/18 financial year. This is because of the recruitment of traffic warden and traffic officers in the year under review. Also seniors' personnel has been recruited and the fleet is new which result in high fines being issued.

Other Revenue represent 0.11 percent in the 2017/18 financial year. Included in Other Revenue are burial fees, search fees, rate clearance certificate, building plan fees and sale of bid documents.



## 2.9. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance.

The following stipulations in the Property Rates Policy are highlighted:

- The first R60 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA and the Mtubatuba Municipal Property Rate Policy as approved by the council.
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
- The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
- The Phasing out of the Public Service Infrastructure (PSI) for five years.

The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

**Table 2.9.1 Comparison of the proposed rates to be levied for the 2017/18 financial year.**

Description	Provide description of tariff structure	2013/14	2014/15	2015/16	Current Year 2016/17	2017/18 Medium Term Revenue & Expenditure Framework		
						Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Property rates (rate in the Rand)								
Residential properties						0.0082	0.0086	0.0090
Residential properties - vacant land						0.0082	0.0086	0.0090
Formal/informal settlements						0.0082	0.0086	0.0090
Small holdings						0.0082	0.0086	0.0090
Farm properties - used						0.0143	0.0150	0.0158
Farm properties - not used						0.0143	0.0150	0.0158
Industrial properties						0.0143	0.0150	0.0158
Business and commercial properties						0.0143	0.0150	0.0158



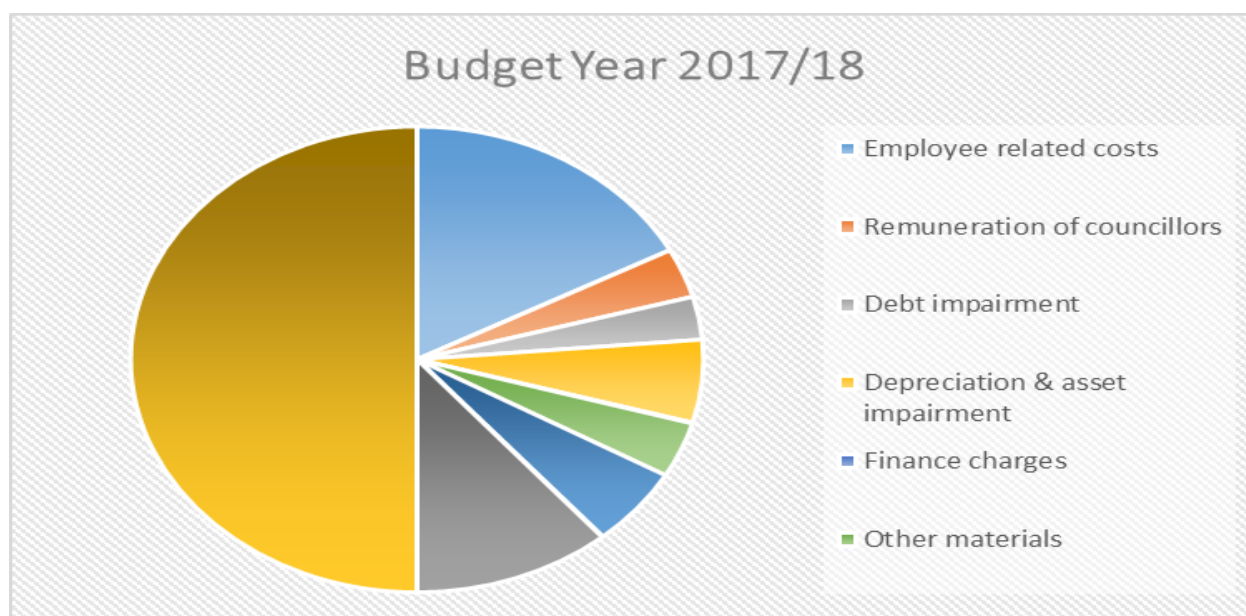
## **2.10. Operating Expenditure Framework**

The Municipal expenditure framework for the 2017/18 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no project plan no budget. If there is no business plan no funding allocation can be made.

**Table 2.10.1 Summary of operating expenditure by standard classification item**

<b>R thousand</b>	<b>Budget Year 2017/18</b>	<b>Budget Year +1 2018/19</b>	<b>Budget Year +2 2019/20</b>
Employee related costs	64 786 668	68 997 802	73 827 667
Remuneration of councillors	12 923 162	13 543 473	14 288 364
Debt impairment	11 224 464	11 785 687	12 374 972
Depreciation & asset impairment	21 600 000	22 680 000	23 814 000
Finance charges	200 000	210 000	220 500
Other materials	14 510 000	12 768 000	13 406 400
Contracted services	20 610 000	21 640 500	22 722 525
Transfers and subsidies	150 000	157 500	165 375
Other expenditure	42 090 817	42 702 492	44 442 897
<b>Total Expenditure</b>	<b>188 095 111</b>	<b>194 485 454</b>	<b>205 262 700</b>



**Table 2.10.2 Percentage growth in expenditure by type.**

<b>R thousand</b>	<b>Budget Year 2017/18</b>	<b>%Inre- ase</b>	<b>Budget Year +1 2018/19</b>	<b>%Inre- ase</b>	<b>Budget Year +2 2019/20</b>
Employee related costs	64 786 668	6	68 997 802	7	73 827 667
Remuneration of councillors	12 923 162	5	13 543 473	5	14 288 364
Debt impairment	11 224 464	5	11 785 687	5	12 374 972
Depreciation & asset impairment	21 600 000	5	22 680 000	5	23 814 000
Finance charges	200 000	5	210 000	5	220 500
Other materials	14 510 000	-14	12 768 000	5	13 406 400
Contracted services	20 610 000	5	21 640 500	5	22 722 525
Transfers and subsidies	150 000	5	157 500	5	165 375
Other expenditure	42 090 817	1	42 702 492	4	44 442 897
<b>Total Expenditure</b>	<b>188 095 111</b>	<b>3</b>	<b>194 485 454</b>		<b>205 262 700</b>

Employee Related Costs for the 2017/18 financial year represent 34 percent of total operating expenditure and has increased by 16.6 percent compared to the 2016/17 adjustment budget. The increase in Employee related costs relate to the prioritization of critical post that need to be filled by the Municipality. Positions such as LED manager, Town Planner, IDP manager, and Deputy Senior managers to ensure stability to the institution in case of resignation of senior managers. In addition expenditure against bonuses, Overtime and contributions was reduced, with provisions against this budget item only being provided for emergency services and other critical functions. Employee related costs for outer years, were increased by 6 and 7 percent respectively.

The Remuneration of Councillors budget is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Remunerations of Councillors budget provision remain flat in the 2017/18 as per MFMA Circular 78. 2017/18 and 2018/19 budget reflect an increase of 5 percent for both periods.

The provision of Debt Impairment is calculated based on an annual collection rate of 70 percent and prior trends and the Debt Write-off Policy of the Municipality. Debt Impairment is 6 percent of total operating revenue. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering services of the municipality, as well as the municipality's realistically anticipated revenues.

Depreciation and Asset Impairment has been informed by the Municipality's Asset Management Policy. Budget appropriations in this regard total R21.6 million for the 2017/18 financial year represent 11 percent of total operating expenditure, this has increased by 9.3 percent when compared to the adjustment budget. For the outer years Depreciation and Asset Impairment budget has increase by 5 percent respectively.

Finance charges have decrease by 55 percent in the 2017/18 budget year when compared to the 2016/17 adjustment budget. The decrease is as a result of full and final the settlement of DBSA loan last financial year. For the outer years finance charge will increase by 5 percent respectively.

Other Materials comprises of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials, etc. Other materials also relate to repairs and maintenance that will be done internally on roads. This budget has increased by 10% percent in the 2017/18 budget period when compared to the 2016/17 adjustment budget. The increase is based on the reviewed assets maintenance plan.

Contracted Services budget has decreased by 14 percent in the 2017/18 financial year as compared to the 2016/17 adjustment budget. Contracted services comprise of security St Lucia, Security bodyguard, Asset protection for municipal facilities, maintenance of parks and garden, maintenance of townships and suburbs, Nordale Cleaning, Mtubatuba Cleaning and Dump site. Budget on Contracted Services for 2018/18 and 2019/20 will increase by 5 percent respectively.

Other Expenditure comprises of various line items relating to the daily operations of the Municipality. Other expenditure represent 23 percent of the total operating expenditure. Other expenditure is the second largest components of other expenditure. The below table summarises the components of other expenditure by type.

**Table 2.10.3 components of other expenditure**

<b>General Expenditure</b>			
Fire Fighting & Disasters	R 50 000	R 52 500	R 55 125
Bank Charges	R 250 000	R 262 500	R 275 625
Entertainment & Reception	R 100 000	R 105 000	R 110 250
Special Programmes(HIV/Aids)	R 200 000	R 210 000	R 220 500
Senior Citizens Programmes	R 150 000	R 157 500	R 165 375
Sports & Recreation Programmes	R 400 000	R 420 000	R 441 000
Women Empowerment Programmes	R 80 000	R 84 000	R 88 200
OVC Programmes	R 80 000	R 84 000	R 88 200
LED Projects	R 60 000	R 63 000	R 66 150
Forum Meetings	R 20 000	R 21 000	R 22 050
Awareness Campaigns	R 180 000	R 189 000	R 198 450
Postage & Courier	R 60 000	R 63 000	R 66 150
Youth Development Programmes	R 250 000	R 262 500	R 275 625
Physically Challenged Programmes	R 100 000	R 105 000	R 110 250
Ministers of Religion Programmes	R 60 000	R 63 000	R 66 150
Injury on Duty	R 50 000	R 0	R 0
Employee Wellness Program	R 80 000	R 0	R 0
Job Evaluation	R 300 000	R 0	R 0
OHS Implementation	R 100 000	R 105 000	R 110 250
IDP Expenditure	R 300 000	R 315 000	R 330 750
Rental - Plant & Equipment	R 100 000	R 0	R 0
Website Hosting Costs	R 350 000	R 367 500	R 385 875
Audit Committee Fees	R 300 000	R 315 000	R 330 750
Insurance	R 450 000	R 472 500	R 496 125
Debt Collection	R 150 000	R 157 500	R 165 375
IT Service	R 450 000	R 0	R 0
<b>Total General Expenditure</b>	<b>R 4 670 000</b>	<b>R 3 874 500</b>	<b>R 4 068 225</b>

## 2.11. Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Mtubatuba Municipal Indigent Policy. The target is to register 500 or more indigent households during the 2017/18 financial year, a process reviewed annually. The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

## 2.12 Repairs and maintenance

Aligned to the priority being given to preserving and maintaining the municipal infrastructure, the 2017/18 budget and MTREF provide for extensive growth in the area of asset maintenance. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials for repairs. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

**Table 2.12.1 Repairs and maintenance per assets class**

Description	2017/18 Medium Term		
	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>			
Roads	5 500	5 500	6 000
Road Structures	1 500		
Capital Spares	500	800	615
Drainage Collection	750	788	827
Storm water Conveyance	750	788	827
Capital Spares	1 500	1 575	1 654
Landfill Sites	1 500	1 575	1 654
Halls	850	–	–
Municipal Offices	1	1	1
Municipal Offices	1 000	1 050	1 103
Computer Equipment	10	11	11
Furniture and Office Equipment	200	210	221
Transport Assets	450	473	496
<b>Total Repairs and Maintenance Expenditure</b>	<b>14 511</b>	<b>12 769</b>	<b>13 407</b>

For the 2016/17 financial year, 52 percent of total repairs and maintenance will be spent on infrastructure assets. Roads department has received a significant proportion of this allocation totaling 83 percent. The remaining portion of repairs will spent on other departments.

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## 2.13. Budgeted Cash flow

**KZN275 Mtubatuba - Table A7 Budgeted Cash Flows**

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>											
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>											
<b>Receipts</b>											
Property rates									25 089	26 344	27 924
Service charges									4 982	5 231	5 545
Other revenue									3 559	3 737	3 961
Government - operating	1								140 480	149 840	157 693
Government - capital	1								47 832	45 246	43 939
Interest									3 491	3 665	3 885
Dividends									-	-	-
<b>Payments</b>											
Suppliers and employees									(148 442)	(151 904)	(159 852)
Finance charges									(150)	(158)	(165)
Transfers and Grants	1								(135)	(142)	(150)
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		-	-	-	-	-	-	-	<b>76 706</b>	<b>81 860</b>	<b>82 780</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>											
<b>Receipts</b>											
Proceeds on disposal of PPE									-	-	-
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
<b>Payments</b>											
Capital assets									(52 995)	(55 645)	(58 984)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		-	-	-	-	-	-	-	<b>(52 995)</b>	<b>(55 645)</b>	<b>(58 984)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>											
<b>Receipts</b>											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits									-	-	-
<b>Payments</b>											
Repayment of borrowing									-	-	-
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		-	-	-	-	-	-	-	-	-	-
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		-	-	-	-	-	-	-	<b>23 711</b>	<b>26 215</b>	<b>23 797</b>
Cash/cash equivalents at the year begin:	2								<b>4 500</b>	<b>28 211</b>	<b>54 427</b>
Cash/cash equivalents at the year end:	2	-	-	-	-	-	-	-	<b>28 211</b>	<b>54 427</b>	<b>78 223</b>

Cash flow income was budgeted using prior trends and realistic anticipated revenue to be collected using different rates. Grants income was budgeted for at full amount. Cash flow for expenditure was budgeted at full amount except for Employee related cost because of budgeted vacant posts which may be filled later in the financial year. The net results of all total income less operational expenditure and capital expenditure amounts to a surplus of R28. 2 million at year end.

#### **2.14. Draft budget plan and SDBIP plans internal-department**

The annual budget and service delivery budget implementation plan were generated and would be attached as annexures.

#### **2.15. Draft Budget and Services delivery agreements-Municipal entities and other external mechanisms**

The municipality does not have the entities and no agreements were generated as a result.

#### **2.16. Contract having future budgetary implication**

The following table has contracts with future budgetary information. Note that these contracts are budgeted for in each financial year because of other uncertainty like price escalation which some are negotiated each year.

##### **Table 2.16.1. Contract having future budgetary implication**

Attached as annexures because of huge size.



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## 2.17. Capital expenditure

The following table provides a breakdown of capital expenditure for the 2017/18 by vote.

**Table 2.17.1 Medium Term Capital Expenditure per vote**

KZN275 Mtubatuba - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousand</b>	<b>1</b>										
<b>Single-year expenditure to be appropriated</b>	<b>2</b>										
Vote 1 - Executive and council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Budget and Treasury		-	-	-	-	-	-	-	300	-	-
Vote 3 - Corporate Services		-	-	-	-	-	-	-	400	420	441
Vote 4 - Community Services		-	-	-	-	-	-	-	400	420	441
Vote 5 - Libraries and archives		-	-	-	-	-	-	-	300	-	-
Vote 6 - Planning and Economic Development		-	-	-	-	-	-	-	210	221	232
Vote 7 - Roads		-	-	-	-	-	-	-	53 274	43 108	41 481
Vote 8 - Licences and permits		-	-	-	-	-	-	-	100	-	-
Vote 9 - Solid Waste		-	-	-	-	-	-	-	800	1 200	1 500
<b>Capital single-year expenditure sub-total</b>		-	-	-	-	-	-	-	<b>55 784</b>	<b>45 369</b>	<b>44 095</b>
<b>Total Capital Expenditure - Vote</b>		-	-	-	-	-	-	-	<b>55 784</b>	<b>45 369</b>	<b>44 095</b>

In 2017/18 an amount of R53.2 million has been appropriated for Roads Infrastructure of which it represents 96 percent of the total capital budget. In the outer years this amount totals R43.1 million; 95 percent and R44.1 million 94 percent respectively. The remaining 4 percent of the capital budget will be utilized by Budget and Treasury, Corporate Services, Public Safety, Planning and economic development and Solid Waste Department. For details of the capital expenditure is found on supporting table SA34A, SA34B of the A Schedule.

**The 2016/17 medium term capital expenditure comprises of the following:**

Infrastructure Roads	R 3 000 000	R 3 150 000	R 3 307 500
Infrastructure Other	R 17 434 400	R 18 306 120	R 19 221 426
Electricity Reticulation	R 14 000 000	R 13 000 000	R 10 000 000
Sportsfields	R 3 500 000	R 3 675 000	R 3 858 750
Community Assets - Halls	R 10 300 000	R 0	R 0
Bins & Containers	R 800 000	R 1 200 000	R 1 500 000
Plant and Equipment	R 3 500 000	R 3 675 000	R 3 858 750
Motor Vehicles	R 1 000 000	R 420 000	R 441 000
Office Equipment	R 150 000	R 157 500	R 165 375
Furniture and Fittings	R 550 000	R 577 500	R 606 375
Computer Equipment	R 160 000	R 168 000	R 176 400
Ammunition	R 400 000	R 0	R 0
Zamimpilo Market, Public lighting and signage	R 500 000	R 0	R 0
Mfekayi outdoor Gym	R 120 000	R 0	R 0
Kicks-about	R 250 000	R 0	R 0
Outdoor Gym	R 120 000	R 0	R 0
<b>Total Capital Expenditure</b>	<b>R 55 784 400</b>	<b>R 44 329 120</b>	<b>R 43 135 576</b>

The following department do not have Capital Expenditure

- Executive and council

## **2.18. Legislation compliance status**

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting  
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.
2. Internship programme  
The Municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Since the introduction of the Internship programme the Municipality has successfully employed and trained 45 interns through this programme and a majority of them were appointed either in Mtubatuba Municipality or other municipalities.
3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee  
An Audit Committee has been established.
5. Service Delivery and Implementation Plan  
The detail SDBIP document is at a draft stage and will be finalized after approval of the 2017/18 MTREF in May 2017 directly aligned and informed by the 2017/18 MTREF.
6. Annual Report  
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. An amendment of the Municipal Property Rates Regulations as published in was announced in Government Gazette 37922 on 18 August 2014.

The SCM policy was also amended to incorporate all supply chain management reforms as advised by National Treasury e.g. Central Data Base. The ratios as prescribed in the Regulations have been complied with.

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

The following draft budget-related policies have been approved by Council, or have been reviewed or amended and/or are currently being reviewed/amended in line with National Guidelines and other legislation.

- Budget Policy
- Supply Chain Management Policy
- Property Rates Policy
- Tariff Policy
- Credit Control & Debt Collection Policy
- Leave Policy
- Human Resources Training & Development Policy.
- Virement Policy
- Banking, Cash Management and Investment Policy
- Overtime Policy
- Asset Management Policy
- Credit Impairment
- Asset Disposal policy
- Indigent Policy
- Subsistence & Travel Policy
- Cellphone Policy
- Acting Allowance

## **2.19. Other Supporting documents**

Other supporting documents will be attached as annexures.

## **2.20. Draft budget of Municipal entities attached to the municipal annual budget**

The Municipality has no entity hence no supporting attachment will be made for entity.

## **2.21. General Item**

- National Treasury has promulgated the Municipal Standard Chart of Account (SCOA) which will take effect from 1 July 2017. Mtubatuba Local Municipality is busy with the conversion of current accounts to be aligned with new business reform.

## 2.22. Municipal manager's quality certificate



I ....., municipal manager of Mtubatuba Local Council, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name \_\_\_\_\_  
Municipal manager of Mtubatuba Local Municipality (KZN275)

Signature \_\_\_\_\_

Date \_\_\_\_\_